

# **Exhibit 11**

**In The Matter Of:**

*LEHMAN BROTHERS HOLDINGS INC., et al.,*

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*JAMES K. PATERSON - Vol. 1*  
*March 1, 2012*

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***HIGHLY CONFIDENTIAL INFORMATION  
GOVERNED BY PROTECTIVE ORDER***

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2 That's okay. It's not okay to 13:22:58  
3 have them give you money for a day and you 13:22:59  
4 give them principal plus interest back. But 13:23:01  
5 it is okay to do this compensating balance 13:23:04  
6 thing. So that's the mechanic that I'm 13:23:07  
7 referencing. 13:23:09

8 Q. Okay. 13:23:09

9 A. So it's an indirect way of 13:23:10  
10 paying a rate. 13:23:12

11 Q. Okay. So you're -- and we've 13:23:13  
12 seen this with respect to the collateral posts 13:23:17  
13 that we've been talking about today. But 13:23:21  
14 you're talking about paying a rate to Lehman 13:23:22  
15 on the deposit. In your position as head of 13:23:24  
16 funding, do you then use that cash to earn a 13:23:29  
17 rate for the bank, for JPMorgan? 13:23:36

18 A. It impacts our funding 13:23:41  
19 position. So it either increases the surplus 13:23:46  
20 funding we have or it decreases the funding 13:23:49  
21 need, and that in and of itself has -- is a -- 13:23:52  
22 that creates a source of funds of which 13:23:58  
23 there's value attached. There is a value 13:24:01  
24 attached to having those funds, you know. So, 13:24:03  
25 you know, that's how I think about it. 13:24:08

1 HIGHLY CONFIDENTIAL - J. PATERSON

2 So functionally, yes. Do we 13:24:13  
3 use it and utilize it and, like, take those 13:24:16  
4 funds and ... it's a use of funds, or it's a 13:24:18  
5 source of funds, which has value, because all 13:24:23  
6 things being equal, those funds that come into 13:24:26  
7 the bank, like any other funds, have value to 13:24:30  
8 us. Either whether we get paid through the 13:24:33  
9 Fed, or whatever. Or it reduces our need for 13:24:36  
10 funds. 13:24:39

11 Q. Okay. And the next sentence 13:24:41  
12 says, "I do have manual capacity to hold 13:24:42  
13 deposits as collateral, though very manual in 13:24:45  
14 the back office and not pretty." 13:24:48

15 What are you referring to when 13:24:51  
16 you say you "have manual capacity to hold 13:24:52  
17 deposits as collateral"? 13:24:54

18 A. I think -- this is my 13:24:56  
19 impression, and this is during a period of 13:25:00  
20 stress. This is my recollection. I know that 13:25:02  
21 the bank has deposits held as collateral 13:25:08  
22 against loans or against, you know, this, 13:25:13  
23 that, and the other. There are some deposits 13:25:16  
24 that I have taken into the Nassau branch, you 13:25:19  
25 know, so I run fundings through New York, I 13:25:23